XVI. Cash Management Improvement Act

A. Oversight of CMIA Process

The Office of Management and Budget (OMB) is responsible for coordinating the activities necessary to comply with the Cash Management Improvement Act of 1990 (CMIA), as amended. The objectives of the CMIA are:

1) Efficiency - To minimize the time between the transfer of funds to states and the payout for program purposes,

(2) Effectiveness - To ensure that Federal funds are available when requested and

(3) Equity - To assess an interest liability to the federal government and/or states to compensate for the lost value of funds.

There are three components required by CMIA: annual Treasury-State Agreement, annual report and annual interest exchange (if applicable).

B. Treasury-State Agreement

All states must enter into a TSA as required by CMIA. The TSA is an agreement between the federal and state government as to the method by which federal fund transfers will take place. All federal funds transferred to the States are covered. However, only major assistance programs (large-dollar programs) are included in a state's TSA.

The TSA includes the following:

- Listing of programs covered by the agreement.
- The funding techniques to be applied to programs in the agreement, including guidelines for requests for supplemental funding.
- The methods and standards used to develop and maintain clearance patterns.
- The method the State will use to calculate and document interest liabilities.
- The types of interest calculation costs the State expects to incur.

C. Clearance Patterns

Clearance patterns refer to the number of days lapsed from the time a payment is made by a state agency until the time the disbursement is redeemed by the program recipient. The clearance pattern is used as the basis for the timing of funding requests through the TSA.

Clearance patterns are developed from the check clearance report (F25Y5405), also known as the float report, for the prior fiscal year. A clearance pattern extends, at a minimum, until 99 percent of the dollars in a disbursement for federal program purposes have cleared. Agencies shall maintain adequate documentation for the clearance pattern reported to OMB, which is subject to audit.

The State must re-certify the accuracy of a clearance pattern at least every five years. The State of Delaware performs this process annually to examine clearance pattern effectiveness, while also making adjustments for programs that maybe included or removed from the TSA per the Schedule of Federal Awards (SEFA).

When any changes in clearance patterns or funding techniques occur, agencies must notify OMB so that the TSA can be amended appropriately. The State must notify FMS in writing within 30 days of the time the State becomes aware of a change.

D. Funding Techniques

Funding techniques are the methods by which the federal government transfers funds to state agencies for their federally sponsored programs. Funding techniques should be efficient and minimize the exchange of interest between the State and federal agencies. The following sample funding techniques are discussed in the Code of Federal Regulations:

Zero balance accounting - The amount of federal funds transferred to a state based on the actual amount of funds paid out by the state each day.

Projected clearance – Transfer of federal funds to state agencies in accordance with a specified clearance pattern.

Average clearance – Transfer of funds to a state agency based on the dollar-weighted average day of clearance for the disbursement. The dollar-weighted average day is determined from a clearance pattern as the day when, on a cumulative basis, 50 percent of disbursed funds have cleared.

Cash advance funding - Transfer the actual amount of federal funds to a state agency not more than three business days prior to the day the state makes payment. Funds permitted to be drawn early are not interest neutral and are subject to interest liability.

Reimbursable funding – Transfer of federal funds to a state agency after the state has paid out its own funds for program purposes.

Other - FMS and the State may negotiate the use of mutually agreed upon funding techniques to address funding issues that are unique to the State of Delaware.

Agencies should review their funding techniques annually and report any changes to OMB. When selecting funding techniques, agencies are encouraged to work with OMB and use those that are interest **NEUTRAL**. Agencies are responsible for using the funding techniques specified in the TSA for each applicable fiscal year.

E. Annual Report

The annual report is submitted to FMS, which details interest liabilities for both the federal and state government. Federal funds drawn in accordance with the TSA prevents the state from accruing an interest liability to the federal government.

F. Annual Interest Exchange

An interest liability is calculated by agencies in accordance with methods specified in the TSA. When the calculated federal liability is greater than $5,000, FMS requires additional supporting documentation. State agencies must provide detail supporting any liabilities owed by the federal government. This documentation is subject to audit and should be retained in accordance with records retention requirements. Payment of the difference between federal interest and state interest liabilities must occur no later than March 31.